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RUEHLH/AMCONSUL LAHORE 6707
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SUBJECT: AFGHAN-PAKISTAN TRADE AGREEMENT MOVES FORWARD WITH
WORLD BANK HELP

¶1. (SBU) Summary: The GOP is working with the Afghan draft amendment to the Afghanistan Pakistan Transit Agreement, which was provided to them in November at the Joint Economic Commission, to identify concerns of the private sector, in particular the transport industry, before finalizing their position. Although they have no major differences with the Afghan draft, according to Ministry of Commerce officials, the GOP does not expect to be ready to engage substantively with the GOA at the upcoming Regional Economic Cooperation Committee, scheduled for early April in Islamabad. The GOP is happy with the facilitating role that the World Bank is playing. End Summary

¶2. (SBU) Both the World Bank and the Ministry of Commerce, in separate discussions, characterized negotiations to update the Afghan Transit Trade Agreement (ATTA) as "on track." Syed Ahmed Zaidi, the Ministry's project director for transit trade, told Econ Counselor February 4 that Pakistan had received Afghanistan's proposed draft (now retitled as the Afghan-Pakistan Trade Agreement, or APTA) in November, and is working from that document as it consults various domestic stakeholders on changes they would like to see. With assistance from the World Bank, the GOP organized a private sector working group on January 12, and is currently reviewing comments from that meeting. Zaidi said the GOP also planned to meet with transport companies before finalizing its views, which would then be presented to the Cabinet for approval. (Note: Cabinet approval can take quite some time. End Note) The GOP then plans to meet with the GOA in some third country (possibly Uzbekistan) "in a few months," under the auspices of the World Bank, to continue negotiations. The World Bank intends to hold a private-sector meeting in Kabul, prior to the Tashkent meeting. Zaidi does not believe that Pakistan will be ready to engage in substantive discussions with the GOA on the APTA at the upcoming Regional Economic Cooperation Committee (RECC), planned for April. While Zaidi did not entirely close the door to an offer of U.S. technical assistance in the future, Kamal Zaman Chaudhry, Chief Additional Secretary at the Ministry of Commerce, said the GOP was currently content with both the assistance provided by the World Bank and the pace of the work to conclude a new agreement.

¶3. (SBU) Amer Durrani, Senior Transport Sector Specialist at the World Bank and resident in Islamabad, had a similar assessment. Durrani told us that it was important that the agreement be done correctly, and cautioned against rushing the process in order to achieve what he called immediate border security objectives. Durrani assessed that the Bank's deliberate approach was paying dividends: the Pakistani security agencies were on board with the process, as was

Finance Advisor Shaukat Tarin. Durrani cited a "notable reluctance" to change the agreement on the part of entrenched private sector interests that did not want a new system that would rock the boat. He noted that the private sector meeting in Kabul had been postponed when the Afghan government got cold feet, but that he was confident that the World Bank would get the meeting back on track soon. In light of this delay, the six-month timetable to complete the process agreed upon at the November Joint Economic Commission meeting might be too ambitious.

14. (SBU) A local television station reported February 4 that Pakistan was likely to allow the entry of Afghan vehicles up to Karachi for transit trade purposes, after they submit bank guarantees. The station also reported that Pakistan Customs opposed another Afghan proposal to allocate 50 percent of the total transit trade to Afghan vehicles, as this would have serious implications for Pakistan's transport industry.

15. (SBU) Comment: Although the process has been long and drawn out, the good news is that progress is being made. Zaidi and Durrani both told us that the GOP had no major difficulties with the text proposed by the Afghans, which is another positive sign. However, the convoluted process of loading and unloading vehicles and the prohibition of Afghan vehicles under ATTA has provided many opportunities for profit and pure and simple graft over the forty plus years the Agreement has been in effect. As a result, identifying a strong base of Pakistani support for simplifying and modernizing these procedures has been time consuming.

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Addressing the concerns of those with a vested interest in the status quo, which is what the World Bank process has been designed to do, is the key to finalizing the negotiations.
PATTERSON